

**SANTA ROSA COUNTY, FLORIDA
CLERK OF COURTS**

FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

**SANTA ROSA COUNTY, FLORIDA
CLERK OF COURTS**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 1998, as listed in the table of contents. These special purpose financial statements are the responsibility of the Clerk's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Clerk has included such disclosures in Note G. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Clerk's disclosures with respect to the year 2000 issue made in Note G. Further, we do not provide assurance that the Clerk is or will be year 2000 ready, that the Clerk's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Clerk does business will be year 2000 ready.

The accompanying special purpose financial statements were prepared for the purpose of complying with state reporting requirements as described in Note A and are intended to present the financial position and results of operations of only that portion of the financial reporting entity of Santa Rosa County, Florida that is attributable to the transactions of the Office of the Clerk of Courts of Santa Rosa County, Florida.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Clerk at September 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 1999 on our consideration of the Clerk's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audit was performed for the purpose of forming an opinion on the special purpose financial statements of the Clerk taken as a whole. The combining statement of changes in assets and liabilities - agency funds is presented for purposes of additional analysis and is not a required part of the special purpose financial statements of the Clerk. Such information has been subjected to the procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the special purpose financial statements taken as a whole.

O'Sullivan Nicks Patton, LLP

January 22, 1999

**Santa Rosa County, Florida
Clerk of Courts**

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

September 30, 1998

	Governmental Fund Type		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General Fund	Special Revenue	All Agency Funds	General Long-Term Debt	
ASSETS AND OTHER DEBITS					
Cash and cash equivalents	\$ 47,949	\$ 4,767	\$ 2,289,667	\$ --	\$ 2,342,383
Accounts receivable	1,641	--	--	--	1,641
Due from other governmental units	11,098	--	--	--	11,098
Due from other funds	14,077	--	--	--	14,077
Amount to be provided for accumulated leave	--	--	--	438,416	438,416
Amount to be provided for line of credit	--	--	--	145,000	145,000
Total assets	<u>\$ 74,765</u>	<u>\$ 4,767</u>	<u>\$ 2,289,667</u>	<u>\$ 583,416</u>	<u>\$ 2,952,615</u>
LIABILITIES AND FUND BALANCE					
Accounts payable	\$ 3,247	\$ --	\$ --	\$ --	\$ 3,247
Accrued wages and salaries	42,426	--	--	--	42,426
Due to other governmental units	29,092	--	13	--	29,105
Due to other funds	--	--	14,077	--	14,077
Registry deposits	--	--	2,275,577	--	2,275,577
Compensated absences	--	--	--	438,416	438,416
Line of credit	--	--	--	145,000	145,000
Total liabilities	<u>74,765</u>	<u>--</u>	<u>2,289,667</u>	<u>583,416</u>	<u>2,947,848</u>
Fund balance					
Reserved for purchase of law books	--	4,767	--	--	4,767
Unreserved	--	--	--	--	--
Total fund balance	<u>--</u>	<u>4,767</u>	<u>--</u>	<u>--</u>	<u>4,767</u>
Total liabilities and fund balance	<u>\$ 74,765</u>	<u>\$ 4,767</u>	<u>\$ 2,289,667</u>	<u>\$ 583,416</u>	<u>\$ 2,952,615</u>

The accompanying notes are an integral part of these financial statements.

**Santa Rosa County, Florida
Clerk of Courts**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**

For the year ended September 30, 1998

	General Fund	Special Revenue (Law Library)	Totals (Memorandum Only)
REVENUES			
Intergovernmental	\$ 11,098	\$ --	\$ 11,098
Charges for services	1,182,753	11,837	1,194,590
Miscellaneous	21,133	--	21,133
Total revenues	<u>1,214,984</u>	<u>11,837</u>	<u>1,226,821</u>
EXPENDITURES			
Current			
General government			
Financial and administrative			
Personal services	1,089,921	--	1,089,921
Operating	217,206	--	217,206
Capital outlay	25,221	--	25,221
Judicial			
Personal services	1,165,262	--	1,165,262
Operating	226,613	--	226,613
Capital outlay	39,783	16,843	56,626
Debt service			
Principal	117,215	--	117,215
Interest	15,561	--	15,561
Total expenditures	<u>2,896,782</u>	<u>16,843</u>	<u>2,913,625</u>
Excess (deficiency) of revenues over expenditures	<u>(1,681,798)</u>	<u>(5,006)</u>	<u>(1,686,804)</u>
OTHER FINANCING SOURCES (USES)			
BOCC appropriation	1,511,690	--	1,511,690
BOCC excess fees	(27,392)	--	(27,392)
Loan proceeds	145,000	--	145,000
Total other financing sources (uses)	<u>1,629,298</u>	<u>--</u>	<u>1,629,298</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(52,500)	(5,006)	(57,506)
FUND BALANCE, BEGINNING OF YEAR	<u>52,500</u>	<u>9,773</u>	<u>62,273</u>
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ 4,767</u>	<u>\$ 4,767</u>

The accompanying notes are an integral part of these financial statements.

**Santa Rosa County, Florida
Clerk of Courts**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the year ended September 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ --	\$ 11,098	\$ 11,098
Charges for services	1,193,894	1,182,753	(11,141)
Miscellaneous	21,249	21,133	(116)
Total revenues	1,215,143	1,214,984	(159)
EXPENDITURES			
Current			
General government			
Financial and administrative			
Personal services	1,089,928	1,089,921	7
Operating	217,215	217,206	9
Capital outlay	25,221	25,221	--
Judicial			
Personal services	1,165,273	1,165,262	11
Operating	226,626	226,613	13
Capital outlay	39,784	39,783	1
Debt service			
Principal	144,175	117,215	26,960
Interest	13,605	15,561	(1,956)
Total expenditures	2,921,827	2,896,782	25,045
Excess (deficiency) of revenues over expenditures	(1,706,684)	(1,681,798)	24,886
OTHER FINANCING SOURCES (USES)			
BOCC appropriation	1,511,691	1,511,690	(1)
BOCC excess fees	(2,507)	(27,392)	(24,885)
Loan proceeds	145,000	145,000	--
Total other financing sources (uses)	1,654,184	1,629,298	(24,886)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(52,500)	(52,500)	--
FUND BALANCE, BEGINNING OF YEAR	52,500	52,500	--
FUND BALANCE, END OF YEAR	\$ --	\$ --	\$ --

The accompanying notes are an integral part of these financial statements.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows.

1. Reporting Entity

The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Clerk, as established by Article VIII of the constitution of the State of Florida, is an elected official of the County. The Clerk of Courts is considered part of Santa Rosa County, Florida's primary government for purposes of GASB No. 14. These financial statements of the Clerk are issued separately to comply with Section 10.557(4), Rules of the Auditor General for Local Governmental Entity Audits, pursuant to Section 11.45(3)(a)4., Florida Statutes.

2. Fund Accounting

The accounting system of the Clerk's office is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The funds utilized by the Clerk are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination). The governmental funds utilized are as follows:

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

2. Fund Accounting – (Continued)

General Fund - The general fund of the Clerk is used to account for all financial resources which are generated from operations of the office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

Special Revenue Fund - Law Library - Special revenue funds account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The revenue sources for this non-budgeted fund are a designated portion of certain court fees. These monies are used to purchase books, publications, and subscriptions for the Santa Rosa County Law Library.

Fiduciary Funds

The two types of fiduciary funds are trust funds and agency funds. Of the two, the Clerk utilizes only agency funds. Agency funds are used to account for assets being held in a custodial capacity for others. Assets equal liabilities in agency funds, and results of operations are not measured. The agency funds utilized are:

Court Registry - Funds are deposited pursuant to court order pending the outcome of legal action and are distributed by order of the court.

Documentary Stamp - The Clerk collects documentary stamps tax as an agent for the State of Florida and remits the revenue, less commission, to the Department of Revenue.

Uniform Support - The Clerk collects child support and other payments required by court order and remits to the appropriate individuals or organizations.

Tax Redemption - The Clerk collects tax deed application fees and tax deed bids and makes distributions on payments as appropriate.

Retirement Clearance - Withholding from employees' salaries and payments from other county officers for employee and employer contributions are held in this fund until remitted to the appropriate governmental agency.

Juror and Witness - State funding for payment of juror and witness fees is held in this fund. The balance is returned to the State at the end of each judicial quarter.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

2. Fund Accounting – (Continued)

Fine and Cost - Traffic and other fines are collected by the Clerk and remitted to the various governmental agencies.

Suspense - The Clerk collects fees for marriage licenses, spousal abuse and restitution. Also, the Clerk collects money for the State co-educational trust fund and attorney's fees. Distributions on payments and remittances are made as appropriate to the various agencies or individuals.

Intangible Tax - The Clerk collects intangible tax and remits to the Department of Revenue.

Account Group

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to establish accountability for the Clerk's long-term debt. This self-balancing account group is not a fund and does not reflect financial resources and related liabilities. This account group reflects all long-term obligations of the Clerk's office.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred.

4. Cash and Investments

The Clerk's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

4. Cash and Investments – (Continued)

Pursuant to Florida Statutes Section 218.415, the Clerk's investment policy outlines the Clerk's investment responsibilities, objectives, and policies. The Clerk's investment policy authorizes the Clerk to invest in the following:

- a. The Local Government Surplus Funds Trust Fund (SBA) (State Pool);
 - b. Florida Counties Investment Trust (FCIT) (State Investment Trust);
 - c. Qualified money market mutual funds;
 - d. U.S. Treasury bills, notes and bonds;
 - e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
 - f. Non-callable Government Agency securities with stated maturities that fall within parameters put forth by the investment policy, including the following:
 - (i) Federal Farm Credit Bank (FFCB),
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
 - (iii) Federal Home Loan Bank (FHLB),
 - (iv) Federal National Mortgage Association (FNMA).
- This classification of government agency securities does not include any mortgage debt of any government agency;
- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida;
 - h. Tax-exempt obligations of the State of Florida and its various local governments;
 - i. Repurchase agreements for investments authorized in categories d, e or f above.

Security

The Clerk maintains its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments among all Qualified Public Depositories.

The overnight repurchase agreement (classified as a cash equivalent) was 102% collateralized by U.S. Treasury obligation securities.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

4. Cash and Investments – (Continued)

Valuation

Investments are stated at fair value.

5. Accounting for Fixed Assets

Fixed assets are recorded as expenditures at the time of purchase. These assets are capitalized at cost and accounted for in the Board of County Commissioners' general fixed assets account group.

6. Budgets and Budgetary Accounting

The Clerk establishes an annual budget for the general fund pursuant to Section 218.35, Florida Statutes. The budget is submitted to the Board of County Commissioners (BOCC) and is incorporated into the overall County budget.

The Clerk's budget is adopted on a basis consistent with generally accepted accounting principles.

7. Documentary Stamps

Documentary stamps are issued by the Clerk as an agent for the State of Florida. The stamps are recorded and sold at cost.

8. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not used.

9. Compensated Absences

The Clerk does not accrue a liability for sick leave, annual leave, or compensatory time in the general fund as payments on this liability will not be made with expendable available financial resources. At September 30, 1998, the liability for accumulated sick leave, annual leave, and compensatory time was \$148,319, \$270,164 and \$19,933, respectively. These amounts are recorded in the general long-term debt account group of the Clerk.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

10. Total Column on Combined Statements

The total column is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Deferred Compensation Plan

The Clerk offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all full time employees at their option, permits participants to defer a portion of their salary until future years. The compensation is not available to participants until termination, retirement, death or unforeseeable emergency. During fiscal year 1998 the Clerk approved amendments to the deferred compensation plan to comply with the requirements of subsection (g) of Internal Revenue Code Section 457. In accordance with GASB 32, the plan assets and liabilities are not presented in these financial statements since the Clerk no longer exercises a fiduciary role in the plan management. Rather, the assets are held in trust for the exclusive benefit of the participants and their beneficiaries. During the prior period, the Clerk reported the deferred compensation plan assets and liabilities amounting to \$273,236 as an agency fund. The fund has been excluded from the current year report.

12. Agency fund transfers

The Clerk transferred the accounting for the Flexible Benefits and Insurance Clearing agency funds to the finance department of the Board of County Commissioners during fiscal year 1998. These funds have been excluded from the current year report.

NOTE B - CASH AND INVESTMENTS

The carrying value of the Clerk's deposits at year end was \$1,922,383, all of which was held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE B - CASH AND INVESTMENTS -- CONTINUED

The overnight repurchase agreement (classified as a cash equivalent) in the amount of \$420,000 was fully collateralized by federal agency securities. At year end the cost of the overnight repurchase agreement approximated market value.

NOTE C - GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year.

Capital Lease Obligations

Balance -- October 1	\$ 117,215
Additions	--
Reductions	<u>(117,215)</u>
Balance -- September 30	<u>\$ --</u>

Accumulated Unpaid Leave

Balance -- October 1	\$ 318,715
Net changes	<u>119,701</u>
Balance -- September 30	<u>\$ 438,416</u>

Line of Credit

Balance -- October 1	\$ --
Additions	145,000
Reductions	<u>--</u>
Balance -- September 30	<u>\$ 145,000</u>

NOTE D - LINE OF CREDIT

The Clerk has available a line of credit with a bank (secured by the Clerk's covenant to budget and appropriate funds) permitting borrowings up to \$250,000. Borrowings under the line bear interest at 3.5% under the lender's prime rate, payable in monthly installments. At September 30, 1998 the outstanding balance was \$145,000. Final maturity is December 31, 1998.

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE E - RETIREMENT PLAN

Participation - Employees of the Clerk participate in the Florida Retirement System, a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 1998, the Clerk contributed an average of 17.19 percent of each qualified regular employee's gross salary and 27.98 percent of the elected official's salary. The Clerk's contributions during the year's ended September 30, 1998, 1997, and 1996 were \$187,132, \$250,823, and \$227,330, respectively, equal to the actuarially determined contribution requirements for each year, and were funded on a pay-as-you go basis. The Clerk has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

Benefit Provisions – The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 10 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

Financial Report of the Plan - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

NOTE F - RISK MANAGEMENT

The Clerk is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board of County Commissioners maintains a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the County is self-insured with respect to the following exposures:

**Santa Rosa County, Florida
Clerk of Courts**

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 1998

NOTE F - RISK MANAGEMENT -- CONTINUED

Workers Compensation	Construction and Road Equipment
Auto Physical Damage	Portable Communication Equipment
Auto Liability	Boats
General Liability, up to \$100,000	Employee Fidelity
Public Officials' Liability, up to \$100,000	

Conventional insurance remains in effect for buildings and their contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage. The Clerk participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

NOTE G - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Clerk's operations as early as fiscal year 1999. The Clerk has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Clerk's operations. The Clerk is in the remediation phase for its critical systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that the Clerk is or will be Year 2000 ready, that Clerk's remediation efforts will be successful in whole or in part, or that parties with whom the Clerk does business will be year 2000 ready.

COMBINING AND INDIVIDUAL FUND STATEMENT
AGENCY FUNDS

**Santa Rosa County, Florida
Clerk of Courts**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the year ended September 30, 1998

	Balances 10/01/97	Additions	Deductions	Balances 09/30/98
<u>Court Registry</u>				
Assets				
Cash	\$ 312,024	\$ 3,731,954	\$ 1,946,280	\$ 2,097,698
Liabilities				
Registry deposits	\$ 312,024	\$ 3,731,954	\$ 1,946,280	\$ 2,097,698
<u>Documentary Stamp</u>				
Assets				
Cash	\$ --	\$ 6,395,050	\$ 6,395,050	\$ --
Liabilities				
Due to other governmental units	\$ --	\$ 6,395,050	\$ 6,395,050	\$ --
<u>Uniform Support</u>				
Assets				
Cash	\$ --	\$ 6,770,943	\$ 6,770,943	\$ --
Liabilities				
Child support and alimony	\$ --	\$ 6,770,943	\$ 6,770,943	\$ --
<u>Tax Redemption</u>				
Assets				
Cash	\$ 53,021	\$ 369,982	\$ 245,124	\$ 177,879
Liabilities				
Deposits	\$ 53,021	\$ 369,982	\$ 245,124	\$ 177,879

Continued...

The notes to the financial statements are an integral part of this statement.

**Santa Rosa County, Florida
Clerk of Courts**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS (CONTINUED)**

For the year ended September 30, 1998

	Balances 10/01/97	Additions	Deductions	Balances 09/30/98
<u>Retirement Clearance</u>				
Assets				
Cash	\$ 417	\$ 1,690,679	\$ 1,691,083	\$ 13
Liabilities				
Due to other governmental units	\$ 417	\$ 1,690,679	\$ 1,691,083	\$ 13
<u>Juror and Witness</u>				
Assets				
Cash	\$ --	\$ 42,645	\$ 42,645	\$ --
Liabilities				
Accounts payable	\$ --	\$ 42,645	\$ 42,645	\$ --
<u>Fine and Cost</u>				
Assets				
Cash	\$ --	\$ 2,285,116	\$ 2,271,039	\$ 14,077
Liabilities				
Due to other funds	\$ --	\$ 17,209	\$ 3,132	\$ 14,077
Due to other governmental units	--	2,267,907	2,267,907	--
Total liabilities	\$ --	\$ 2,285,116	\$ 2,271,039	\$ 14,077

The notes to the financial statements are an integral part of this statement.

Continued...

**Santa Rosa County, Florida
Clerk of Courts**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS (CONTINUED)**

For the year ended September 30, 1998

	Balances 10/01/97	Additions	Deductions	Balances 09/30/98
<u>Suspense</u>				
Assets				
Cash	\$ --	\$ 229,554	\$ 229,554	\$ --
Liabilities				
Accounts payable	\$ --	\$ 41,447	\$ 41,447	\$ --
Due to other funds	--	1,539	1,539	--
Due to other governmental units	--	186,568	186,568	--
Total liabilities	\$ --	\$ 229,554	\$ 229,554	\$ --
<u>Intangible Tax</u>				
Assets				
Cash	\$ --	\$ 1,563,771	\$ 1,563,771	\$ --
Liabilities				
Due to other governmental units	\$ --	\$ 1,563,771	\$ 1,563,771	\$ --
<u>Total - Agency Funds</u>				
Assets				
Cash	\$ 365,462	\$ 23,079,694	\$ 21,155,489	\$ 2,289,667
Liabilities				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Due to other governmental units	417	12,103,975	12,104,379	13
Due to other funds	--	18,748	4,671	14,077
Deposits	365,045	4,186,028	2,275,496	2,275,577
Child support and alimony	--	6,770,943	6,770,943	--
Total liabilities	\$ 365,462	\$ 23,079,694	\$ 21,155,489	\$ 2,289,667

The notes to the financial statements are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 1998, and have issued our report thereon dated January 22, 1999, which was qualified because insufficient audit evidence exists to support the Clerk's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

98-1 – PROPERTY RECORDS

Finding – Rules of the Auditor General, Chapter 10.400, require each governmental unit to maintain an adequate record of its property. The Clerk has not updated property records for current year additions.

Recommendation – We recommend the Clerk update the property records, and maintain them on a current basis.

98-2 - CHART OF ACCOUNTS

Finding – The Florida Department of Banking and Finance pursuant to Florida Statute 218.33 established a Uniform Accounting Systems Manual (Manual) which specifies a uniform chart of accounts to be used by governmental entities. The chart of accounts used by the Clerk does not fully follow the provisions of the Manual. Specifically administrative costs that relate to both judicial and financial operations are recorded in expenditure accounts classified as judicial. Also, intergovernmental revenues relating to the Child Support Enforcement program are recorded in accounts classified as charges for services.

Recommendation – We recommend the Clerk record revenues and expenditures in conformity with the State of Florida’s Uniform Accounting Systems Manual

97-2 – ANNUAL FINANCIAL REPORT

Finding – Florida Statute 218.36 requires the Clerk to submit to the Board of County Commissioners by the 31st day following the fiscal year end an annual financial report and any excess fees. The Clerk failed to meet this deadline.

Recommendation – We recommend the Clerk establish policies and procedures necessary to provide the Board of County Commissioners with the required annual report and excess fees within the time frame specified by the Florida Statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Clerk in a separate letter dated January 22, 1999.

This report is intended solely for the information and use of the Clerk and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Nicks Patton, LLP

Pensacola, Florida
January 22, 1999

MANAGEMENT LETTER

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 1998, and have issued our report thereon dated January 22, 1999, which was qualified because insufficient audit evidence exists to support the Clerk's disclosures with respect to the year 2000 issue.

Except as discussed in the preceding paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We have issued our Independent Auditor's Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 22, 1999. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The Rules of the Auditor General (Section 10.554 (1) (e) 1.) require that we comment as to whether or not inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1) (e) 2.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been implemented. The recommendations made in the preceding annual audit report have been implemented, except as listed in Attachment A under the heading "Prior Year Recommendations".

As required by the Rules of the Auditor General (Section 10.554 (1) (e) 3.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency."

In connection with our audit, we determined that the Clerk is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1) (e) 4.), we determined that the financial information for the Clerk for the fiscal year ended September 30, 1998, included in the combined Santa Rosa County financial report filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 1998.

The Rules of the Auditor General (Section 10.554 (1) (e) 5.) require that a statement be included in the management letter as to whether or not the Clerk has complied with Section 28.24 (15) (d), Florida Statutes, regarding the collection and use of Public Record Modernization Trust Fund moneys and, if not, a description of such noncompliance. In connection with our audit, we determined that the Clerk complied with Section 28.24 (15) (d), Florida Statutes, regarding the collection and use of Public Record Modernization Trust Fund money.

The Rules of Auditor General (Sections 10.554 (1) (e) 6., 7., 8., 9.) require disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control and compliance: recommendations to improve financial management, accounting procedures and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Management has been made aware of limited segregation of duties in previous communications. Our audit disclosed no other matters which are required to be disclosed by Rules of Auditor General (Sections 10.554 (1) (e) 6., 7., 8., 9.).

The Rules of the Auditor General (Section 10.554 (1) (e) 10.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the Santa Rosa County, Florida, Office of the Clerk of Courts is disclosed in Note A to the financial statements. There are no component units related to the Clerk.

This report is intended solely for the information and use of the Clerk and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Vicks Patton, LLP

Pensacola, Florida
January 22, 1999

STATUS OF PRIOR YEAR RECOMMENDATIONS

1. ACCOUNTING PROCEDURES MANUAL

Finding - We noted the Clerk of the Courts does not have a written accounting procedures manual covering the procedures necessary to maintain the Clerk's accounting records.

Recommendation - We recommend the Clerk of the Courts develop a formal, written accounting procedures manual for its recordkeeping procedures. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well devised accounting manual can also help to insure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervision of accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

Current status – The Clerk is in the process of preparing a formal written accounting procedures manual.

2. CASH RECEIPTS REVIEW

Finding - In the cash receipts process, one of the internal controls is that the daily cash receipts summary page is compared to the validated deposit slips. Our review of the operation of this control revealed that there is no indication (signature/initial) that the comparison was made.

Recommendation – We recommend that the person who makes the comparison of the daily cash receipts summary page to the validated deposit slips indicate on the deposit slip that the comparison was done by signing or initialing and dating the deposit slip.

Current status – No action taken.